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DocuSign, Inc.

Fourth Quarter and Full Year Fiscal 2022 Earnings Conference Call

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for joining DocuSign's Fourth Quarter and Full Year Fiscal Year '22 Earnings Conference Call.

At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session.

As a reminder, this call is being recorded and will be available for replay from the Investor Relations section of the website following the call.

I will now pass the call over to Roger Martin, Vice President of Finance. Please go ahead.

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Roger Martin

Good afternoon, and welcome to the DocuSign Q4 2020 [sic] Earnings Call.

I'm Roger Martin, DocuSign's VP of Finance. Joining me on the call today is DocuSign's CEO, Dan Springer, and our CFO, Cynthia Gaylor.

The press release announcing our fourth quarter results was issued earlier today and is posted on our Investor Relations website.

Now, let me remind everyone that some of our statements on today's call are forward-looking. We believe our assumptions and expectations related to these forward-looking statements are reasonable, but they are subject to known and unknown risks and uncertainties that may cause our actual results or performance to be materially different. In particular, our expectations regarding the pace of digital transformation and factors affecting customer demand, including as a result of the pandemic, are based on our best estimates at this time and are, therefore, subject to change. Please read and consider the risk factors in our filings with the SEC, together with the content of this call. Any forward-looking statements are based on our assumptions and expectations to date and, except as required by law, we assume no obligation to update these statements in light of future events or new information.

During this call, we will present GAAP and non-GAAP financial measures. Non-GAAP financial measures exclude stock-based compensation expenses, employer payroll tax on employee stock transactions, amortization of acquired intangible assets, amortization of debt discount and issuance costs from our notes, acquisition-related expenses, fair value adjustments to strategic investment, impairment of lease-related assets, and, as applicable, other special items. In addition, we provide non-GAAP weighted average share counts and information regarding free cash flows and billings. These non-GAAP measures are not intended to be considered in isolation from, a substitute for, or superior to, our GAAP results. We encourage you to consider all measures when analyzing our performance. For information regarding our non-GAAP financial information, the most directly comparable GAAP measures and a quantitative reconciliation of these figures, please refer to today's earnings press release, which can be found on our investor website at investor.docusign.com.

I'd like to turn the call over to Dan Springer. Dan?

Dan Springer

Thank you, Roger. Good afternoon, everyone.

We have a lot to share with you today, as we'll cover our performance for the quarter and for the entire fiscal year. We'll talk in more detail about some important sales wins and recent innovations that continue to bring our vision for the Agreement Cloud to life. Finally, we'll look ahead to our focus areas for Fiscal '23.

I'd like to start by sharing a few observations about the quarter. Q4 total revenue grew 35% year-over-year to $581 million, with an 18% non-GAAP operating margin. Billings grew 25% year-over-year in the quarter. International revenue grew 55% year-over-year. We added nearly 60,000 new customers in the quarter, and that's a 31% increase year-over-year, and we continued to see strong net dollar retention of 119% in Q4, which is at the high end of our historical range.

Looking at the year, we grew revenue 45% to over $2 billion and billings by 37% to over $2.35 billion. We added more than 280,000 new customers and ended the year with over 1.17 million customers in total.

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These results reflect our team's unwavering dedication amid the macro-challenges and the needed shifts in our business coming out of COVID. They also showcase continued tailwinds for the digitization of agreement workflows for businesses of every shape and size.

We recognize, of course, that Fiscal Year '22 had two distinct chapters that contributed to our growth story. During the peak of the pandemic, urgent need drove dramatic acceleration of purchases and our sales focus was squarely set on meeting that elevated demand. This motion carried through the first half of Fiscal Year '22. In the second half of the year, there were more challenging macro-conditions impacting our customers' priorities. We saw a diminished level of urgency in their buying patterns. Customers turned their focus to investments and projects that were delayed during the heart of the pandemic.

As we saw urgent demand wane, we had just begun to shift in our sales motion back to a demand-generation mode of cross-sell, up-sell and departmental expansion. While we excelled at demand generation for many years pre-COVID, ultimately, the shift in customer buying patterns coming out of the pandemic was quicker than we anticipated and we didn't move fast enough as an organization. Our move from capturing high volumes of customer demand to reverting back to generating demand is now well underway. We expect this work will continue through Fiscal Year 2023, as we make tangible progress moving through the year.

At over $2 billion in annual revenue, we believe we're still very early in the first 10% of the $50 billion Agreement Cloud market opportunity. Digital transformation remains a high priority for businesses at every scale in every industry. Given our strong brand and leading market position and product differentiation, DocuSign is uniquely positioned to lead and capture that market opportunity with eSignature and the broader Agreement Cloud. As the pandemic subsides and people begin to return to the office, they are not returning to paper. eSignature is clearly here to stay and the movement toward the broader Agreement Cloud will only continue to gain prominence. We are confident we have massive market space to grow.

When we think about the opportunity this year presents, it falls into two main buckets: the ways we're helping our customers succeed on our platform and the innovation we're bringing to market. Last quarter, we doubled down on our global go-to-market methodology and began driving our field org to focus on expanding opportunities. As our customers scale their usage across departments and new use cases, our field approach is also evolving. To that end, we've been bolstering our field leadership with strong leaders, with GMs in EMEA, APJ and LATAM, along with recent additions across North America in the commercial and SMB segments, and we're very close to finalizing a new North American enterprise sales leader, as well.

Importantly, we've begun a search for an executive to lead the global field organization, the success and sales. This supports our goal of scaling our business to $5 billion, and beyond. As part of this change, once we have secured and onboarded our new leader, Loren will transition from DocuSign. Now, it's hard to think of a sales executive as having more impact on a company than Loren has had here in his 14 years. From Director to North American Leader to CRO, he has really built the sales organization here. As noted above, he's leading the way as we expand the sales leadership team for our next level of scale. He'll be staying with the Company this year and he remains focused on delivering for our customers and for driving our growth. Loren will be a big part of helping us to transition to the new sales and success leader in the coming months.

We're already encouraged from the results we're seeing from these efforts, as we are up-selling eSignature to more departments and use cases, cross-selling our key add-ons, like identity verification, notary and monitor, as well as cross-selling our CLM products. For example, last quarter, we expanded our relationship with one of the world's largest insurance and financial services companies, implementing new cases for remote online notary for affidavits, citizenship verification and claims recovery, and DocuSign Verify for loans and cash-out statements. By deepening their adoption of the DocuSign

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Agreement Cloud, they shared that the efficiency gained by their employees and independent agents enabled them to realize tremendous savings in both time and operational expense, all while improving the self-service customer experience and maintaining strict regulatory compliance.

We're hearing the same story across our key verticals with new customers, as well. Last quarter, one of the largest pharmacy chains in the U.S. adopted eSignature and our AI-powered CLM products as part of their ongoing digital transformation initiative. The Agreement Cloud was the answer to replacing the manual processes across their agreement systems, which were described to us as painful and time-consuming. From that initial order, we're now seeing 75 different use cases across departments, and an opportunity to deliver nearly 10 million envelops annually.

Around the world, DocuSign's value prop is just as strong. Last quarter, for example, we welcomed Westpac New Zealand, part of Australia's Westpac Group, to the Agreement Cloud. Like so many customers who start with DocuSign eSignature, our exceptional employee and customer experience opens the door to more use cases. For Westpac New Zealand, this led to the adoption of CLM, Gen Plus Send, and a significant API integration, all within the first year of our relationship.

The second big opportunity this fiscal year is our continued innovation to drive stickiness and deepen our roots as a multi-product company. More users are engaging with DocuSign every day, as we work to make it even easier for them to adopt more of the advanced capabilities of the Agreement Cloud, eliminating paper, automating manual processes and connecting customers to the other systems they already use.

A great example is the new DocuSign eSignature app for Zoom, that enables organizations to reimagine their customer agreement process with virtual face-to-face signing experiences, that our customers really love. Through this new partnership, our customers can now securely share, review and complete agreements right from Zoom.

In the next few weeks, we'll launch a new eSignature capability called Joint Agreements for businesses with a network model. Joint Agreements allows for a single customer experience with co-management of agreements between multiple parties behind the scene. This makes things easier for every party involved. We believe Joint Agreements will inspire large financial services firms to encourage the use of DocuSign by their networks, which often number in the tens of thousands of advisors or agents.

Next month, we're also planning to launch an important new feature called Delayed Routing for DocuSign eSignature. This allows users to add timing delays during the routing process of an envelop. This fine-tuning of the agreement process has become an increasingly popular customer ask, especially for situations where regulations require a delay; like some franchising agreements that require a one-week delay for a review before they can be signed.

In total, Fiscal '22 results were very strong, and I'm proud of how we, as a team, are moving to adapt and recalibrate to address the rapidly shifting market dynamics that we're facing post-COVID. Despite the temporal headwinds, we'll continue to focus on winning both new customers and existing customer expansions, and on driving continued innovation. As clear market leader, we've got long-term momentum on our side, a vision that's unchanged and a massive TAM. The changes we're making to our go-to-market strategy will, indeed, take a few quarters to play out, but we believe we're still just scratching the surface of our long-term opportunity and are better positioned than ever for future success.

Before handing it over to Cynthia to walk you through our Q4 results and the Fiscal Year '23 outlook in more detail, I want to take a moment to thank the DocuSign team and our customers. Together, you're inspiring us to continue pioneering. Just this week, DocuSign was named one of Fast Company's Top 10 Most Innovative Enterprise Companies. It's great to see others recognize our work, but, more importantly, it's a true testament to our hard-working team and the positive impact our customers are helping us make on the world.

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With that, Cynthia, over to you.

Cynthia Gaylor

Thanks, Dan, and good afternoon, everyone.

Overall, we had a solid finish to the year. While Fiscal ’22 unfolded differently than we initially anticipated, with the first half stronger than expected and the back half slowing faster than anticipated, net/net we achieved most of our financial and operating goals for the year. We scaled to become a multi-billion-dollar business and achieved record cash flow and operating margins, successfully balancing growth and profitability. We continue to build out our Agreement Cloud portfolio, with the addition of multiple new products and capabilities to further digitize agreement workflows, and we helped 280,000 new customers begin their digital journey.

With that, let me turn to the Q4 and Fiscal 2022 results

For the fourth quarter, total revenue increased 35% year-over-year to $581 million, and subscription revenue grew 37% year-over-year to $564 million. For the full year, total revenue reached $2.1 billion, an increase of 45% over last year, and subscription revenue hit $2 billion, an increase of 47%.

Our international revenue continued to outpace our domestic growth at 55% year-over-year to $138 million in the fourth quarter, contributing 24% of total revenue. For the full year, international revenue grew over 68% to $481 million, representing 23% of our total revenue and reflecting our accelerated expansion across geographies.

Fourth quarter billings rose 25% year-over-year to $670 million, leading to a four-quarter rolling average of 37%. For the full year, billings increased 37% to $2.4 billion.

With the addition of nearly 60,000 new customers in the fourth quarter, our total install base grew 31% for the full year, with over 1.17 million customers worldwide. We added 10,000 new direct customers in Q4, and 45,000 for the year, a 36% increase year-over-year, bringing our total to 170,000 direct customers. Customers with an annual spend greater than $300,000 grew 42% year-over-year in the fourth quarter to 852 customers. We achieved 119% dollar net retention for the quarter, at the high end of our historic range.

Non-GAAP gross margin for the fourth quarter was 81%, compared with 80% a year ago. For the full year, gross margin was 82%, compared to 79% a year ago.

Fourth quarter subscription gross margin was 85%, consistent with last year. For the full year, subscription gross margin was 85%, versus 84% a year ago.

Q4 non-GAAP operating profit reached $104 million, compared with $75 million last year. Non-GAAP operating margin was 18%, compared to 17% last tear. For the full year, non-GAAP operating profit rose 132% to $419 million, and operating margin was 20%, versus 12% in Fiscal ’21.

Non-GAAP net income for Q4 was $100 million, compared with $77 million in the fourth quarter of last year. For the full year, net income was $411 million, up from $182 million in Fiscal ’21, a growth rate of 125% year-over-year.

We ended the quarter with 7,461 employees, an increase of 33% over last year.

We exited the year with $898 million in cash, cash equivalents, restricted cash and investments.

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Operating cash flow in the fourth quarter grew 41% year-over-year to $88 million, or a 15% margin. This compares with $62 million, or 14%, in the same quarter a year ago. Free cash for the quarter was $70 million, or a 12% margin, compared to $44 million, or 10%, in the prior year, a 60% increase year-over-year. For the full year, operating cash flow grew 71% to $506 million, or a 24% margin, compared to $297 million, or 20%, a year ago, and free cash flow more than doubled, growing at 107% year-over-year to $445 million, or a 21% margin, compared to $250 million, or a 15% margin, in Fiscal ’21.

Additionally, we continue to invest for the health of our planet through our sustainability initiatives. Our products have helped save over 55 billion sheets of paper and 6 million trees so far, and we achieved carbon-neutral status this year. We are continuing our efforts to reach net-zero emissions no later than 2050, as part of the business ambition pledge by committing to setting science-based targets aligned with a 1.5 degree Celsius trajectory for a net-zero future.

Let me now turn to our guidance.

As Dan mentioned, early in Fiscal ’22, we continued to benefit from macro-tailwinds, with strong residual customer demand. Today, while we see the lingering effects tapering from the heightened demand we saw a year ago, we expect to see a slower start to Fiscal 2023, while we progress our go-to-market initiatives over the next few quarters. As we gain traction and execute against our strategy, we continue to win new customers and support existing customer success and expansion. We expect to see the related growth contribution picking up as we move through the year. We have worked diligently to incorporate the above factors into our current outlook.

With that, let’s turn to guidance.

Total revenue of $579 million to $583 million in Q1, or growth of 24% year-over-year, and $2.47 billion to $2.48 billion for Fiscal ’23, or growth of 17% to 18% year-over-year. Of this, we expect subscription revenue of $562 million to $566 million in Q1, or growth of 24% to 25% year-over-year, and $2.39 billion to $2.41 billion for Fiscal ’23, or growth of 18% year-over-year.

For billings, we expect $573 million to $583 million in Q1, or growth of 9% to 11% year-over-year, and $2.71 billion to $2.73 billion for Fiscal ’23, or growth of 15% to 16% year-over-year.

We expect non-GAAP gross margin to be 79% to 81% for both Q1 and Fiscal ’23. We expect non-GAAP operating margin to be 16% to 18% for both Q1 and Fiscal ’23.

We expect to see a de minimis amount of interest and other income, including undrawn revolver fees related to our credit facility.

For Fiscal ’23, we expect a tax provision of approximately $4 million to $8 million.

We expect fully diluted weighted average shares outstanding of 205 million to 210 million for both Q1 and Fiscal ’23.

Additionally, our Board authorized a $200 million open market share repurchase program. This program underscores our confidence in the strong fundamentals of our business and allows us to flexibly leverage our balance sheet to efficiently deliver returns to our shareholders.

Our primary focus will continue to be investing for long-term growth, particularly in sales capacity and enablement, marketing, product innovation and the scaling of our operations, as we are still in the early stages of this large and growing market opportunity.

Before turning to Q&A, we would like to thank the DocuSign team, our customers and our partners for their tremendous efforts during last year’s unprecedented journey. We’re driving the next phase our

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strategy to better enable our teams to help customers digitize their agreement processes and fully capture the potential of the $50 billion Agreement Cloud market. In the near term, while we ramp and strengthen our demand-gen motion, we are confident in the opportunity that lies ahead for the Agreement Cloud and are encouraged about the broader market opportunity we're seeing on the horizon. We remain focused on delivering solid results for our shareholders.

With that, thanks for joining us today. We look forward to seeing you at the Customer and User Conference Momentum in a few weeks, on April 4 and 5, and we will now open up the call for questions. Operator?

Operator

Thank you. At this time, we will be conducting a question-and-answer session. One moment, please, while we poll for questions.

Our first question comes from the line of Tyler Radke from Citi. You may proceed with your question.

Tyler Radke

Hey, thanks. Good afternoon. I appreciate the question here. I wanted to first start about the go-to-market changes that you're making. Obviously, some new kind of sales leadership moving around. Maybe if you could help us unpack kind of the relative size of these changes and how they compare relative to your initial expectations last quarter; and then how are you just thinking about the timing for when demand starts to rebound, is this a Q3/Q4 event, and how are you building that into your forecast? Thank you.

Dan Springer

Yes, Tyler, first, at the high level, I would say there are substantial changes to the go-to-market organization. We're bringing in an overall new leader for success and sales, which is 60%, 65% of our Company. So, I would say that is, from a headcount standpoint, very substantial. In addition, we've already made, virtually, a complete sort of change-out, if you will, of the sales leadership in North American. I mentioned we have—if you think about our segments, we have SMB, the commercial and the enterprise. We have new leaders in North America coming from great scaled companies, like Oracle and Salesforce.com, and those leaders are over the SMB and commercial, and we are very close to finalizing a new enterprise leader. North America is where we had our biggest challenges, that we talked about, from the headwinds at the end of last year, and so that's absolutely where we're focused. We have not, since I joined the Company five years ago, had anything sort of close to this change in the go-to-market team.

Then, to your second question on the timing, I don't have an ability to tell you exactly which quarter we see those changes having which level of impact. If you take a look at—Cynthia's provided guidance to give you a sense that we think significant changes are required to the business, and our aspiration is to move as quickly as we can to try to have that impact as quickly as possible, get us back to the long-term growth rates that we're highly confident we will get to.

Tyler Radke

Great, thank you, and the second question. You talked about seeing some CLM deals and that being a focus for some of the up-sell motions. Can you just talk about how CLM is performing relative to your expectations, and do these go-to-market changes help to elevate CLM more? Just help us understand how you're thinking about that relative to the core eSig. Thanks.

Dan Springer

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Yes, absolutely. In fact, we didn't go into too much detail, but what we've done—as you think about what we said last quarter, we realized we really needed to get our field focusing—and, for us, field is, again, not just their sales team, but it's also the success team, that is so critical to driving the adoption that we get, and then the consumption, which leads to that future growth—to get them focused on our core eSignature and eSignature Plus products, and we are hugely excited about, but also focused on that execution.

Part of the challenge is, as we were onboarding AEs and other field personnel throughout last year, we were asking them to be really able to sell the entire DocuSign Agreement Cloud. We wanted them to put more things in the bag, if you will. I think what we realized is was defocusing folks from the core eSignature business. So, we pulled out a dedicated CLM team, and the purpose is both to, to address your question, "Hey, do we get enough focus on training sellers to really be competitive to win in what is a competitive market there, it's different than the leadership position we have in eSignature," but also it frees up our traditional field to focus on the eSignature and eSignature Plus opportunity, which is critical to our overall Agreement Cloud success.

So, those are the changes we made, we think those are substantial change, and we think that should be significant to help us, again, drive focus on both areas of growth.

Tyler Radke

Thank you.

Operator

Our next question comes from the line of Sterling Auty with JPMorgan. You may proceed with your question.

Sterling Auty

Yes, thanks. Hi, guys. Can you characterize what the sales pipeline looked like at the end of the quarter versus what it looked like coming into the quarter?

Dan Springer

We don't have sort of a pipe metric that we would sort of disclose or share, but I can tell you from the standpoint of we build pipe in two different ways, in terms of two different timeframes. Right now, we are building pipe focused on Q2 as a primary goal, but if you get down to our SMB and the sort of bottom half of the commercial business, quite a bit of the pipe that we generate actually can close in-quarter. I think what we're seeing right now is a significant increase in our achievement of our pipeline goal today, than where we were a quarter ago, but, again, some of those things are for this quarter and some would be for the quarter ahead.

Sterling Auty

Understood, and then one follow-up. Can you give us a sense of what the net dollar retention expectation is that's kind of built into the guidance that you gave?

Dan Springer

Yes, we don't guide to that metric. Cynthia, I don't know if you have any color you would add to net retention going forward.

Cynthia Gaylor

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In Q4, we landed at the 119%, which was at the high end of our historic range. For Q1, we would expect to be within range, between the 112% and 119%, that has been our historic range, but it's not, Sterling, as you know a metric that we've traditionally guided to, though we have tried to give color around what we're seeing there.

Sterling Auty

Yes, understood. Thank you, guys.

Operator

Our next question comes from the line of Rishi Jaluria with RBC. You may proceed with your question.

Rishi Jaluria

Oh, wonderful. Thanks, Dan and Cynthia for taking my questions. First, I wanted to just start on the billings guidance for next year. Look, it does imply a little bit of an acceleration—perhaps more than a little bit, depending on how we think about seasonality—in the back half of FY '23, relative to what you're guiding to in Q1. Can you maybe walk us through the dynamics there, what's giving you confidence in that acceleration, outside of the obvious easy comps, and I guess, maybe, alongside that—you know, look, I mean, your stock's down to—you know, in the aftermarket—where it was before COVID even happened and before all this demand. I guess, why even provide a billings guide if that calls for a good amount of acceleration in the back half of the year? Is that based on pipeline, something that you're seeing, to be able to give that level of confidence, just given how quickly these sort of things change? Then, I've got a follow-up.

Cynthia Gaylor

Sure. I'll start, and then I'm sure Dan will have some good thoughts, as well.

I think, just to level-set on Q1, if you think back to early Fiscal '22, we continued to benefit, particularly in Q1 of last year, from the macro-tailwinds coming out of the year prior, with strong residual customer demand, and we talked on the Q1 call last year about some of the dynamics around that, which included accelerated consumption and expansion, things like one-time use cases that fell into Q1, and then early renewals played a big dynamic. So, if you think about that as macro-tailwinds that helped us in Q1 last year, we have kind of the opposite, in terms of some headwinds, this year. So, I'd say, when you look at the Q1 guide, you have to remember that last Q1 was exceptional and it was a pretty extraordinary quarter. We've really been tapering off of those levels since this time last year and we expect to build back over the next few quarters as some of these go-to-market initiatives take hold. So, I'd kind of leave you with that thought, particularly as we look at the Q1 numbers.

Dan Springer

The only thing I'd only to that is that if you take a look at the level of execution that that implies, while it's increasing, as you said, across the year, we're also revamping, as Tyler asked about earlier, our go-to-market organization. Just to be really clear, we have not performed the way we would like to perform at the end of this year. At the beginning of this year, we're not going to be yet back to the performance we'd like to have. It is going to take a little bit of time. So, we're quite optimistic, as the new leadership gets a chance to get embedded, that we have this incredible market opportunity, and this really large customer base, as you saw the numbers, increasing at good rates, with 60,000 new adds just in the last quarter, so we've got a lot of opportunity for our land-and-expand motion. So, we are confident that our teams will rise to that occasion and then drive that improved performance throughout the year.

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Rishi Jaluria

Okay, great, that's helpful. Then, I wanted to look at international. International decelerated by a pretty dramatic magnitude from Q3 to Q4. Maybe walk us through what's going on in international and how we should be thinking about that going forward, especially because—look, as we've talked about before, international feels like it should be a lot more underpenetrated, and maybe, as a result, shouldn't be suffering from the lack of demand generation to the same extent as the U.S., and yet we're seeing 13 points of decel from Q3 to Q4. So, maybe, can you walk us through what's going on in international, as well? Thank you.

Cynthia Gaylor

Yes, I'll start with that one. On international, we were quite pleased with the performance in Q4 and for the year; 24% of our revenue came from international, and it was a 55% growth rate year-over-year. So, again, we were quite pleased with the performance. We saw particular strength in EMEA and APJ around some of the initiatives and investments we've made there. So, I would say we would expect that to continue. As we look into the year, we're making a lot of international investments, and, in some ways, it's really our biggest growth opportunity, when we look across the business, is international.

Rishi Jaluria

All right, great. Thank you so much.

Operator

Our next question comes from the line of Jake Roberge with William Blair. You may proceed with your question.

Jake Roberge

Hey, everyone. Thanks for taking my questions. I just wanted to touch base—you mentioned some of your ancillary products, like remote online notary and ID verification, on the call. So, was just kind of curious how that's tracking at the start of this year and what your expectations for these markets are over the next few years, and when we could really just expect those to be a more material portion of your revenue base.

Dan Springer

Yes. So, two thoughts. One, obviously, the starting point for something like Notary, which really wasn't until Q4 that we had what I'd say significant sales success there, so very, very small numbers, but from a growth standpoint, quite substantial. We were 4x where we sort of thought we were going to be in Q4 in terms of that sales growth, and we've now really added a quite reasonable number of customers. Our challenge now moves to that success part of the organization, that we talked about, which is making sure that the folks adopt and really integrate that Notary into their overall business. So, we're excited about that.

When we look at your questions around identity, I think it's the single biggest sort of, if you will, eSign Plus product category we have, and our enthusiasm there is quite high, that that will continue to grow and to being, eventually, a meaningful contributor, as you asked about. So, again, early low numbers, but that's been a real bright spot for us as we finished up Q4.

Jake Roberger

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Awesome! Then, just as a follow-up, just curious if there's anything to call out, really, from a competition or a churn perspective, or is this really just a function of customers and real estate and financial services just giving mortgage refinancing, and everything, are just so down this year? Is this really just a matter of those customers that overbought and are rationalizing agreements, or are you seeing the space in eSignature become more competitive this year?

Dan Springer

Yes. So, two things. Cynthia and I, before each earnings call, have a review with our pricing and competition team to see if there is anything that we see differently. Again, this quarter, nothing substantially different there, we don't see any meaningful change in pricing or competitive sort of intensity.

In addition, when I think about the conversations I have in the field with customers, we continue to see people quite positively talk about DocuSign as the dramatic market leader with significant product capabilities and differentiation, so we don't see that changing.

I think, to your hypothesis, absolutely, the phenomenon of the aggressive demand we saw a year ago is the biggest piece of that macro-change. I would also tell you that your insight around financial services—not so much real estate, not the actual real estate industry, but the mortgage space or other financial services, they were the industries, along with healthcare, life sciences and government, that most aggressively—and we're primarily talking about North America here—that most aggressively expanded over those six or seven quarters where COVID was so meaningful, and, therefore, they probably had the most on the shelf, if you will, from a product standpoint, and are now saying, "Hey, we love DocuSign. We're not interested in working with someone other DocuSign," but we have a lot of product, and so we're going to grow at lower rates, until we sort of get all that consumed. So, that's how I would characterize that.

Cynthia Gaylor

Yes, and the only other thing that I would add—Dan's spot on, but on the verticals—just as a reminder, we don't have any vertical concentration. We always try to give a little bit of texture around the verticals, but I would say one of the great things about DocuSign is we touch all verticals, smallest customers to biggest customers, and then we're in 180 countries, so it's a quite diversified customer base.

Jake Roberger

Great, thanks for taking my questions.

Operator

Our next question comes from the line of Stan Zlotsky with Morgan Stanley. You may proceed with your question.

Stan Zlotsky

Hey, guys, good afternoon, and thank you for taking my question—two quick questions. Just at a high level, as far as the changes that you guys are making to the sales organization, is there anything different that's happening that the changes are being made in the U.S. versus what changes you made in international?

Dan Springer

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Yes, dramatically different. As we talked about a little bit—it may not have been clear enough on the prepared comments, Stan—we felt we had made the moves to really solidify our leadership in both success and sales in our core international markets, so in APJ, LATAM and in EMEA, which is our biggest international market. We're excited. We're not making changes to the leadership there. We're trying to integrate the sort of performance there, by having the success and the sales teams work more closely together. I think they're already naturally doing that in those markets better than we're doing in the U.S., but we even want to sort of push that even further, to ensure we're bringing that core motion of sign up a customer and get that land that we talked about, drive the adoption and the success, which then leads right into the expansion opportunity. We really want to really refine that.

In North America, it's quite different, as I said. We're actually replacing the core North American sales leadership—and, by the way, many of those people have done incredible work for DocuSign and will have other roles in DocuSign. It's not that we're necessarily pushing anyone out of the Company, but we see an opportunity to bring in additional SMB, commercial and enterprise level, new leadership there, that's had more scale experience, which relates to the fact that our North American business is still 76% of our revenue, and so, therefore, significantly a higher scale than any of the international markets. So, that's where the changes that we're making to the sales leadership are occurring.

Stan Zlotsky

Got it, and then just a quick follow-up on Fiscal '23 billings guide. With the Billings guide, essentially, implying, let's call, you know, roughly 15% growth, and if net revenue retention stays in the typical 112% to 119% range, it almost feels like there's limited implied new customer acquisition. So, maybe just kind of walk us through how are you're thinking about pace of new logo acquisitions into Fiscal '23. Because, obviously, it continues to be very strong. So, what's implied in that guidance there?

Cynthia Gaylor

Yes, thanks for the question. As you know, we always give our best view of what we're seeing, kind of where we're sitting in the year, in the quarter, and so we're very consistent in terms of how we give the guide. I think, when you think about the net adds, we're very pleased with the net new adds that we added during the course of the year and in Q4, and, remember, we have a land-and-expand model, so the net new each period doesn't necessarily contribute the largest dollars, when you're looking at some of the metrics, like billings or revenue, but the land-and-expand, we are very focused on landing new customers, because they become the expansions of tomorrow, but they tend to start out very small, expand in small increments over time, and so that, as well, built into the guide, but it is a land-and-expand model as we think about it, whether it's revenue or billings.

Stan Zlotsky

Got it. Thank you.

Operator

Our next question comes from the line of Karl Keirstead with UBS. You may proceed with your question.

Karl Keirstead

Thanks. Maybe I'll direct this one to Cynthia. Cynthia, your operating margin guide for Fiscal '23 was a little bit higher, actually, than I was thinking, and I think a lot of people thought it might be a little bit lower, given DocuSign's got a big need to invest, wage inflation, an uptick in T&E costs, but it's only down two points from your peak. Can you talk through what, perhaps, some of the offsets to those sources of cost pressures are that got you landing at the 18% number? Thank you.

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Cynthia Gaylor

Yes. So, the guide is 16% to 18%, coming off of kind of the peak that was, I guess, was 20-ish during the course of last year. We've been talking about this since Q1 of last year, when we saw the revenue upside, that we would expect the margin to come down, and we're very focused on investing for growth. We're investing a lot, both in kind of the go-to-market initiatives that we've been talking about, sales capacity, success and marketing, but also product innovation. Then, remember, we've also doubled our business in a very short period of time, in the last two years-ish, we've doubled the top line, and so we're also investing quite a bit kind of across operations to really support the scale and the growth that we're at. So, we think we have the right level of investment. As we move through the year, if we see opportunity to invest more for growth, and invest productively, we will, but right now we're looking at 16% to 18% margin, and we think that's reasonable—a reasonable investment level to invest back into the business and invest for growth.

Karl Keirstead

Cynthia, the follow-up, does that assume any change in average cash comp structure at DocuSign in order to attract and retain employees?

Cynthia Gaylor

We're always evaluating kind of the—you know, it's a very competitive talent market, both for the employees we have and folks who may join us along the way, so we're always evaluating that and looking to be market-competitive, whether it's on cash comp or how we look at the equity, and so yes to both of those.

Karl Keirstead

Got it. Okay, thanks very much.

Operator

Our next question comes from the line of Brad Sills with Bank of America. You may proceed with your question.

Brad Sills

Oh, great. Thanks, guys, for taking my questions here. I think, Dan, when we spoke last quarter, it sounded like the pivot towards expand wasn't going to be such a big change, it's a motion that the Company had been successful with in the past, and it seemed like it was more of the new hires just hadn't been trained on that kind of motion, given all the demand for new orders that were coming in. It seems now as though, perhaps, with the leadership changes that you're talking about, that, perhaps, it's a bigger undertaking that you might have expected back then. Is that a fair assessment? I guess, how would gauge the effort so far to kind of retool towards that expand that you've been embarking on now? Thank you. Thanks so much.

Dan Springer

Yes, it's a good question. I think about it in two different pieces. I think the challenge to sort get what we internally call the DocuSign Way, which is the way we enable our field to sell and lead with the DocuSign Agreement Cloud. In most cases, people do start with Signature. Then, if you're talking about our existing customers, it's expansion of the core Signature land that we've had, as well as then integrating the eSign Plus products and other products, like CLM.

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I think that we started off and feel like that was the right effort and the investment that we're making there feels, I think, good, and we think we'll be able to roll that out. We just had our GKO a few weeks ago and we felt rolling out that new methodology and approach, to try to get that consistency that you're asking about, that we talked about, is spot on.

I'd say, incremental to that, as we were examining what we're doing right and what we're not doing right in our overall go-to-market, we realized we did have some gaps in the scaled experience in our leadership, which is what led us to make the significant changes we've already made in North America, and the decision to bring in a truly scaled overall success and sales leader.

So, I think the changes that we thought we were going to make are kind of running, I would say, more or less, on track, and we also realized that we wanted to make enhancements to the leadership in the go-to-market team, and that's what we announced today. So, I think we're, again, more or less, on that same track, but we did not necessarily know when we were diving in a few months back that we think it made sense to make those significant changes we're making in the leadership.

Brad Sills

Understood, thanks so much, Dan. One more, if I may, please. I think last quarter you mentioned that consumption patterns and demand on consumption was kind of in line with your expectations. Would you say that's the same this quarter, any comment there? Thank you.

Dan Springer

To make sure I clarify the question, when you're saying "consumption," is a word we use for meaning different things. Are you talking about usage of the eSignature platform?

Brad Sills

Yes, usage and volumes, envelop volumes.

Dan Springer

Yes. So, I think there's sort of two ways to think about it. One is sort of the amount that we sell, if you will, and the amount that gets utilized. We saw pressure on what's get sold, for two different reasons. One was consumption-related, were not significantly off, and clearly consumption is growing, but it was not growing the same way it was growing during the COVID years, when we had that heightened demand and so many new use cases that people hadn't had before, and, quite frankly, we also had a lot of one-time use cases, things like PPE loans. So, now, if you at consumption, if you adjust for things like those one-time use cases and heightened demand, I don't see any dramatic change in our consumption. But, those are meaningful. As Cynthia said, they have meaningful impact on our financials for Q1, and, really, the first half of this year, some of those use cases going way, and keep in mind, when you think about the growth rate, if someone says, "I'm putting in a million signatures for some one-time use cases," not only do you lose those million, so you go the wrong direction, but there's no chance to up-sell them, because it's a one-time case, so it weighs down on the growth of consumption and up-selling for the overall—from that base.

Brad Sills

Very helpful. Thanks, Dan.

Operator

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Our next question comes from the line of Alex Zukin with Wolfe Research. You may proceed with your question.

Allan Verkhovski

Hey, there. This is Allan Verkhovski on for Alex. Thanks for taking the question. I want to touch on the revenue guidance. I haven't seen you guys guide for flat sequential revenues before, so can you just unpack the puts and takes there? Is there any incremental prudence within your guide, especially as to how it relates to contribution you can see from EMEA? Thanks.

Cynthia Gaylor

Sure. Thanks for the question. I think, when you look at the revenue guide, it's similar to my comments earlier, we're guiding to the visibility we have, given the current environment. There's probably two key drivers on revenue behind the guide. One is headwinds from some of the one-time use cases rolling off, or renewing at lower levels. The second is just the timing of deals, of deals rolling into the quarter and deals rolling out of the quarter. I'd say that's kind of on revenues, specifically. But, I would also just reiterate some of the comments I made on a relative basis to Q1 of last year, and kind of just the unusual quarter that that was on a comparative basis.

Allan Verkhovski

Got it, and nothing else incremental in terms of how you're thinking about the EMEA contributions for the full year?

Cynthia Gaylor

EMEA, like from a geo perspective?

Allan Verkhovski

Yes, just given everything going on there and in the world.

Cynthia Gaylor

Oh, I see, just the …

Dan Springer

Macro.

Cynthia Gaylor

Yes, from a macro perspective.

Allan Verkhovski

Yes.

Cynthia Gaylor

I think what we would say there is we haven't seen a big impact to our business. It's a horrible humanitarian crisis and tragedy. We haven't seen impact, but EMEA is a large business for us, so it is something that we are looking at closely. I would just say we are supporting kind of efforts there through

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our global impact initiatives, from a broader perspective, less to do with our business. But, it's something we're watching closely, but we haven't seen much, if any, impact there, where we currently sit.

Allan Verkhovski

Understood. Thanks for taking my questions.

Operator

Our next question comes from the line of Kirk Materne with Evercore ISI. You may proceed with your question.

Peter Burkly

Yes, hi, guys. This is actually Peter Burkly on for Kirk. Thanks for taking the questions here. I guess just first—you know, you guys have talked about in the past how getting to $5 billion in revenue, that's going to come, a large part from eSignature. I'm just curious, given you're seeing a lot of strength in some of the ancillary products, a little bit of a slowdown in the eSignature piece, I'm curious if you're thinking any differently about the balance between that; and, I guess, incremental investments, whether there's any change in investing in the cross-sell motion versus the continued investments that you're making to remedy the demand generation aspects.

Dan Springer

Yes, I don't think there's any meaningful change on either of those dimensions. As we've talked about before, we think it is very early in the eSignature. Just on eSignature alone, right, we talked about that $25 billion TAM. As I said, were definitely less than 10% of that, and given our strong market share that we have in the space, I'm not sure that the whole industry is much past 10% penetration there. So, I don't think there's anything that suggests to us we'd be less aggressive or bullish on having that be the primary growth opportunity for us. We are very excited about the Agreement Cloud opportunity broadly, but there's nothing that's happened that would change my bullishness on the primary opportunity being eSignature, particularly if you add in what we call eSignature Plus. Those are those other functionalities we talked about, like the notary capability, like an identity capability. I think, when you add those in, yes, we're squarely focused on the core business.

Peter Burkly

Awesome! That's helpful, Dan. I guess, if I could just follow up with one more. I think the large customer growth, actually, is one of the more impressive metrics I'm looking at, grew that metric by plus 40% again. So, I guess, just curious if there's anything to highlight in terms of what's driving the strength there. Are these larger customers thinking more strategically about the broader Agreement Cloud solutions, or is it just still for those large customers, specifically, it's still just a function of continuing to expand their eSignature usage?

Dan Springer

Some of each, actually, and if you think about it—we talked about a couple of examples, like the large pharmacy company that was not a significant Signature user of us, and then they got excited about CLM and not only did that create the opportunity for growth there, but it unlocked significantly more use cases around Signature, once they thought about us in a CLM and CLM Plus mindset. So, I think the answer is it's definitely some of both. From an allocation, Signature is still, by far, the biggest driver of the increase in customers moving up to that large customer scale for us, and, again, the vast majority of our customers still have only a small number of use cases, which points, again, to two things: one, tremendous opportunity, but also, as I've said, we have to own that we haven't executed well enough against that

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significant opportunity. Aside from the macro-pieces we talked about, a part of this is us doing that fantastic job we need to do, and we have done traditionally, around that land, and then get the success motion and get the up-sell motion going. So, that's there for us, we just have to execute.

Peter Burkly

Got it. Thanks, Dan, appreciate the color.

Operator

Unfortunately, due to time constraints, we only have time for one more question. Our final question comes from the line of Scott Berg with Needham. You may proceed with your question.

Scott Berg

Hi, Dan and Cynthia. Thanks for taking my questions here. I'll, actually, just leave it with one, since we're up against the clock. Dan, I wanted to ask a—or drill down a little bit more on the change in CRO, with the new field sales leader that will eventually join. You're making a lot of changes to the organization before this new leader comes in. I guess, how should we think about that kind of dynamic? Because, on one hand, you feel pretty confident about the changes you're making, but what if this new sales leader comes in and wants to make additional changes, how do we think about kind of that scenario, and with regards to the timeframe of when you can start kind of producing at the levels that you expect to do? Thanks.

Dan Springer

Well, I mean, it's a good question, obviously, something we think a lot about. It's difficult to speculate, right, on a double-level, of what that person might want to do and then how we would think about reaction. Obviously, we're not going to bring in a person that has kind of experience and that kind of scale in their background and say, "Your hands are tied, you can't make any changes to the go-to-market organization," for sure, but the changes we've made aren't so much dramatically changing the way we do things. I've already talked about what we were building out last quarter around the DocuSign Way. These changes are really about saying, "We need to have more scaled leadership." We have lots of fantastic people at DocuSign. We didn't have enough people who had seen this level of scale. So, I am confident that the new leader that comes into this role, she or he will look and say, "This is fantastic. You guys have already set me up with a fantastic set of scaled leaders across North America and across the international geographies. You've got folks that have hit their stride at DocuSign and are driving that much higher growth already than we have in North America." So, I feel like we're handing, again, her or him a fantastic hand. But, of course, you're right, if the person had different perspective or other folks that they thought—or structures that made sense to change, we will, of course, engage with them in a constructive way on that, but my belief it's nothing but good news with the changes we've made.

Scott Berg

Great. That's all I have. Thanks for taking my questions.

Operator

This concludes the question-and-answer session and I will now turn the call back over to Dan Springer for any closing remarks.

Dan Springer

Yes, I'll be quick. I want to point out a couple quick things. We really do feel good about the solid finish to the year, hitting that milestone of $2 billion of revenue, we're excited. You're right, we've been talking a lot

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about $2 billion to $5 billion, but we had to hit $2 billion first, so we're glad to do that, and exiting the year at 45% growth, another fantastic annual growth rate. I think it points to the opportunity that we have here. We are building out what I think is going to be a really strong, durable franchise, that already starts from a fantastic position of clear market leadership. We have a massive TAM and opportunity ahead of us. And we have to execute now. And we will execute now.

So, we're looking forward to seeing you all in the coming months. Thank you very much for joining us.

Operator

This does conclude today's conference, you may disconnect your lines at this time. Thank you for your participation and have a great day.

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